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China, Peoples Republic of

Agricultural Situation

Dry Peas, Beans and Lentils

2008

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Report Highlights:

The prices of China's pulse crops have been slowly, but steadily, rising in the past few years. This trend is attributed to the increase in the cost of inputs for production, and the decline in acreage to grain crops. China's kidney bean production is predicted to decrease to 530 MMT in 08/09MY, as farmers move to government supported crops, and land is taken out of agricultural use as urban areas expand. Dry peas accounted for nearly half of China's pulse imports over the past few years. Overall, the demand for dry peas, mung, and broad beans that are processed into starch is estimated at over 400,000 tons in 2007. Processors use these to produce white-colored or translucent vermicelli. However, inexpensive mung beans and lentils from Myanmar have entered the market in the first half of 2008 as domestic prices for starch crops rise.

Includes PSD Changes: No
Includes Trade Matrix: No
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[CH]

Executive Summary

The prices of China's pulse crops have been slowly, but steadily, rising in the past few years. This trend is attributed to the increase in the cost of inputs for production, and the decline in acreage to grain crops. Because beans are a cash crop, beans, produced for export, are delegated to marginal land. Post estimates the 08/09MY's total pulse exports to drop to 810 million metric tons (MMT) and the prices for pulses to continue to rise.

Myanmar has capitalized on its ability to inexpensively produce mung beans and lentils, and has sharply increased its exports to China during the first half of this year. Chinese domestic pulse production is also under pressure due to central government support to produce grains, oilseeds, and trees. The Government of China (GOC) places self-sufficiency in grains as a top priority, and offers subsidies that drive pulses off the land. However, pulse production is usually regulated to low-quality or marginal land that can not adequately support the production of grains. This trend could lead to the degradation of arable land, as farmers aggressively try to increase grain yields on unsuitable land, or farmers may abandon their attempt to produce grains on that section of land and return it to pulse production.

China's kidney bean production is also predicted to decrease to 530 MMT in 08/09MY, as farmers move to government supported crops, and land is taken out of agricultural use for urbanization. Also, eye-witness accounts of Chinese kidney bean fields have mentioned large amounts of blight damage on crops, and Chinese farmers using improper treatment methods.

Vermicelli, a common noodle made from bean starch, production is on the rise in China. Typically eaten during the winter months with traditional "hot pots", these noodles have gone from seasonal, outdoor production to year-round factory production. The starch of mung beans has long been used to create vermicelli, and is still considered to be the highest quality. As the domestic price of mung beans rose, companies first began to use imported dry peas, from Canada and the United States. Vermicelli producers are now starting to produce using the even less-expensive, and lower quality, cassava and other starch sources in an attempt to lower their costs.

Forecast for MY2008/09 down as land is lost to subsidized crops

The amount of acreage delegated to pulses has been slowly, but steadily dropping over the past few years. This trend is attributed to pressure placed on farmers by the central government to grow grains and oilseeds. The quantity exported in 2007 was 823 million metric tons (MMT), a slight decrease from the previous year's exports of 833 MMT. The total value of pulse exports has been increasing during these years, however, as the quantity produced has decreased; the average price of pulses has risen from of \$1.04/lb (\$.47/KG) in 2006 to \$1.28/lb (\$.58/KG) in 2007.

Post estimates this trend will continue as long as the world price for grains remain high and the GOC emphasizes producing and stockpiling grains to maintain domestic grain prices low.

Domestic Consumption Drives Consumption and Stocks

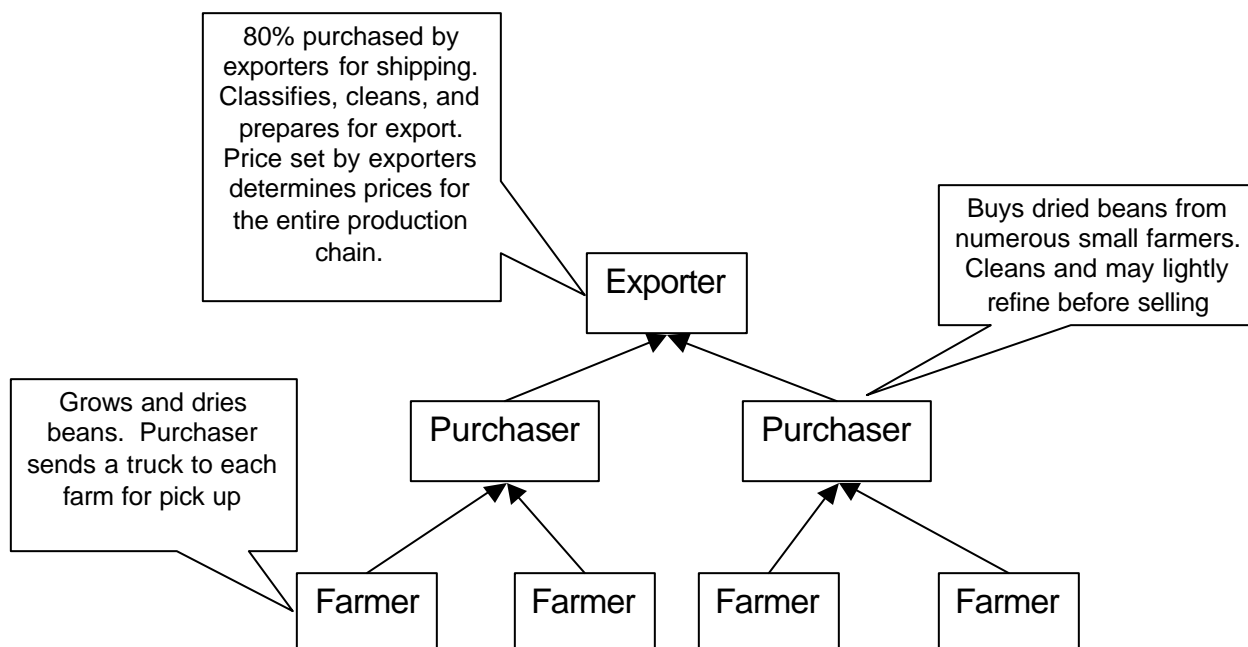
Except for kidney beans, the majority of China's pulses are consumed domestically. Trading companies buy beans from local purchasers and store small volumes of dry pulses near port cities in northern China where they are cleaned or sieved for classification before export and distributors keep stocks of pulses in the distribution channel. There are no official government stocks. Post estimates current stocks are approximately 20 percent of production or one million metric tons.

Brazil No. 1 destination for Chinese Kidney Bean Exports in MY07/08

To date, Brazil is the leading consumer of Chinese kidney beans, by value and quantity. Close to \$42 million worth of beans that sold for \$1.52/lb (\$.69/KG) have been shipped to the South American country this year.

Behind Brazil, the next largest importer of Chinese kidney beans is Cuba. In 2007, Chinese kidney bean exports totaled \$38 million and sold for \$1.46/lb (\$.66/KG). Traditionally, Cuba has been the largest importer of Chinese kidney beans, but the amount Cuba imported has been consistently dropping in response to raising prices. As a result of this trend, the value of kidney beans shipped to Cuba has changed slightly over the past three years.

Production flow of Chinese Kidney Beans



Azuki Bean Exports Grows

In 2007, China's adzuki bean exports to the world exceeded \$34 million. South Korea purchased the highest quality grade available, followed closely by Japan. However, the price in Japan was \$.07/lb (\$.03/KG) higher than the average world price of \$1.23/lb (\$.56/KG), and South Korea's was \$.11/lb (\$.05/KG) lower: making Japan the largest importer in terms

of value. Year-to-date China has exported a total of \$29 million worth of adzuki beans, \$11 million more than last year. During the first half of 2008, the average world price has held at \$2/lb (\$.91/KG), and the majority of the adzuki beans going to Japan have sold for \$2.13/lb (.97/KG) totaling \$14 million, and those going to South Korea have sold at \$1.94/lb (\$.88/KG) and totaled \$9.4 million.

Adzuki bean paste is most commonly used in Asian cuisine as a sweetener in the form of paste. The quantity of bean paste exports from China has grown consistently over the past few years, from 84,000 tons in 2005 and 96,000 tons in 2007. However, the price of the paste has remained stable, over the past several years: hovering around \$.74/KG. By far the largest importer of Chinese bean paste is Japan, consuming around 95 percent of total bean paste exports for the past several years.

China Dry Pea, Lentil, and Mung Bean Imports: U.S. Pea Export Opportunity

Dry peas accounted for nearly half of China's pulse imports over the past few years. However, inexpensive mung beans and lentils from Myanmar have entered the market in the first part of 2008 as domestic prices for starch crops, mainly corn and potatoes, rise. Dry peas, mostly food grade yellow or non-green pea varieties from Canada and the United States, are imported by food processors in northern China, primarily in Shandong Province, for vermicelli production. The noodles, traditionally made from mung beans, are popular in China. In the past few years, dry peas from Canada were much less expensive than domestic mung beans, but this supremacy is being challenged by mung bean exports from Myanmar. China imported \$4 million worth of mung beans in 06/07MY, however the amount exported from October 2007 (the beginning of the marketing year) to July 2008 is already \$37 million worth of mung beans.

In addition to their use in vermicelli production, imported dry peas, mung beans, and lentils are processed and used as a starch substitute, included in instant noodles and fillings in traditional foods like moon cakes and dim sum. This trend is a response to the increase in price for mung beans, kidney beans and broad beans (also substitutes) from increased demand for bean paste. Recently, sources indicated that as commodity prices continue to rise, some vermicelli producers have switched to corn starch and cassava as an inexpensive source of starch. Products made from these ingredients are often considered to be of poor quality.

Import Restrictions: Selenium in Food

China implemented national standard Maximum Level of Contaminants in Food (GB 2762-2005) on October 1, 2005, including standard on the maximum levels of selenium, lead, mercury, cadmium, arsenic, aluminum, and other trace minerals and food contaminants. The maximum level of selenium in cereals is 0.3mg/kg.

Total Demand for Vermicelli on the Up

Due to growing disposable per capita income in China, trade sources report strong domestic consumer demand for vermicelli – perhaps surpassing export demand. There is a strong local demand for vermicelli in many Chinese dishes coupled with increased demand from foreign markets.

Overall demand for dry peas, mung, and broad beans that are processed into starch is estimated over 400,000 tons in 2007. Processors use these to produce white-colored or translucent vermicelli. China's vermicelli output during 2006 was between 150,000 and

200,000 tons. As mung and broad bean prices have increased in recent years, vermicelli processors have increasingly substituted cheaper peas.

China's Vermicelli Exports: Chasing Scarce Starch Inputs

Increased worldwide demand and higher prices have led to an overall upward trend in Chinese vermicelli exports. In 2007, the amount exported from China increased to 96 million dollars worth, a 3 percent change from the previous year's 94 million dollars. China's vermicelli processing industry is concentrated in Yantai City, Shandong Province, and most exports pass through the ports of Qingdao and Tianjin.

China's Vermicelli Exports By Major Ports in Metric Tons					
	2005	2006	2007	2007 Jan-Jul	2008 Jan-Jul
All Districts	83,368	83,001	80,696	47,189	50,033
Qingdao	52,113	51,342	50,029	29,173	31,235
Tianjin	12,613	10,497	8,467	5,383	4,217
All others	18,642	21,162	22,200	12,633	14,581
Source: China Customs					

Vermicelli Average Export Price at Major Ports in \$/KG over Certain Periods							
Region	1st Qtr 04	1st Qtr 05	1st Qtr 06	1st Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08
All Districts	1	1.24	1.22	1.22	1.18	1.22	1.38
Qingdao	1.01	1.34	1.36	1.37	1.23	1.29	1.51
Tianjin	0.52	0.56	0.59	0.68	0.71	0.69	0.74
HTS #: 19023020							
Source: China Customs							

The current price (July 2008) for imported peas, used for vermicelli production, in Qingdao is approximately CIF \$370/MT, up from an average \$270/MT in July 2007. Trade sources report that as a result of the increased price of imported peas in MY06/07 producers are shifting to cheaper starch ingredients, including corn, potato, and cassava-based starch.

China's Average Pulse Import Price (\$/MT)								
HTS#		Jan-06	Jan-07	Nov-07	Dec-07	Jan-08	Apr-08	Jul-08
071310	Peas	190	230	280	300	320	350	460
Source: China Customs								

Competition

Canada is still the largest exporter of dry peas to China in terms of quantity and value. In 2007, Canada exported \$59 million (\$233/MT) worth of dry peas to China. This is a significant decrease compared to 2006's \$65 million (\$194/MT). Canada has historically been the largest supplier to China, but as world prices rise, China has begun to import less-expensive dry peas from the United States. Chinese companies have expressed an interest in working with producers in the United States, and Post estimates if current trends hold, the United States may surpass Canada as the lead supplier of dry peas to China.

Summary of Competitive Situation Analysis for Yellow Peas

	U.S.	Canada	China
Supply	Supply and production are smaller compared with Canada	Large supply to meet Chinese importers/vermicelli producer's demand.	Decrease production due to incentives to produce grains, oilseed or return the land to forest.
Product characteristic	High starch content, low elasticity	High starch content, low elasticity	Elasticity is better compared with imported products
Financing	D/P or L/C payment provide a kind of financing for Chinese importers	D/P or L/C payment provide a kind of financing for Chinese importers	Full amount pre-paid prior to delivery and often before planting
Shipping	Stable supply and deliver, exports from US increasing.	Stable supply and delivery	Delivery time, quality, quantity unstable, but lower transportation costs.

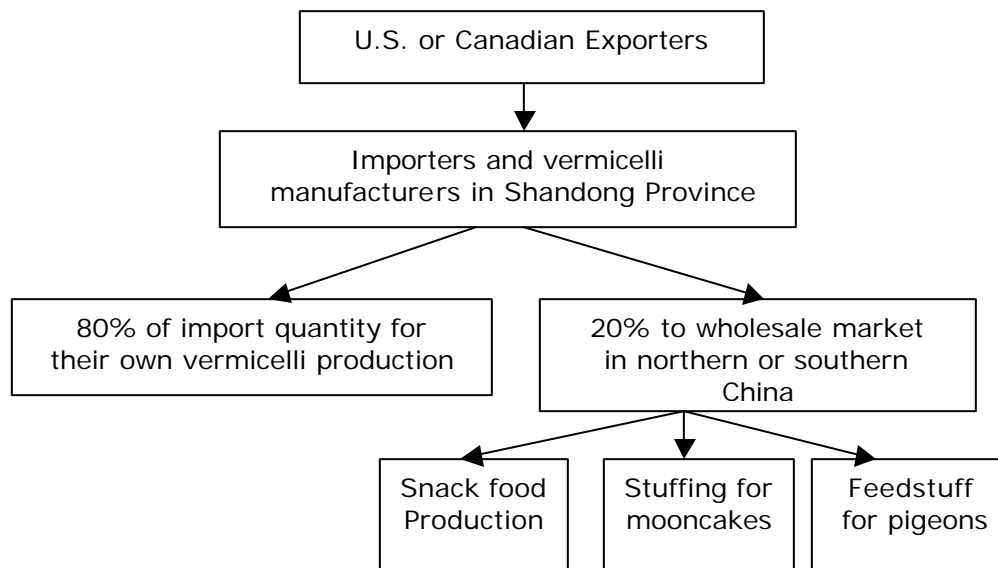
Marketing U.S. Peas: Superior Quality and More Consistency

Most dry pea importers are located in Shandong Province and 80 percent of imports are for vermicelli production. Peak sales for vermicelli are from October to March to accommodate their use in traditional Chinese "hot pot", a common type of meal eaten during the colder months. Most of the remaining 20 percent of imported peas are consumed in south China where they are principally used for snack foods, such as moon cakes fillings and pigeon feed.

Traders and processors using U.S. dry peas report they favor U.S. dry peas because of their consistent quality and are keenly interested in finding reliable U.S. exporters. Currently, all the dry pea imports are containerized, but some traders are interested in Panamax cargo imports.

Canadian dry peas accounted for most of China's dry pea imports. However, there are opportunities to expand U.S. dry pea exports to China by educating Chinese vermicelli processors about the quality characteristics and availability of U.S. dry pea varieties. The following distribution channel can be used to maximize marketing opportunities.

Distribution Channel for Imported Peas

**Marketing opportunities**

In addition to marketing activities to expand pea imports for vermicelli production from the United States, there are also market opportunities in smaller higher-value product markets, including snack foods, moon cake filling, and bakery products. With robust economic development and accelerating urbanization in China, bakery products are expected to post stable growth in the next few years, with a projected compound annual growth rate of 6 percent. Total bakery products sales are expected to reach over \$14 billion (RMB93 billion) by the end of 2010. Moon cakes make up 1/3 of bakery sales for most bakery chains in China.

Agricultural Trade Offices (ATO) has worked with the U.S. Dry Pea and Lentil Council and several other cooperators to expand the use of U.S. products in the bakery industry, including featuring recipes with U.S. dry pea and lentil products. FAS/China will continue these cooperative market development efforts.

Tariff and VAT Rate

China's tariff and VAT rate in 2008 remains unchanged, except by agreement with the Association of Southeast Asian Nations (ASEAN). Under a free trade agreement between China and Southeast Asian countries, the import tariff rate on pulses from these countries was reduced to zero in 2006. VAT rates are as outlined below.

2007 Tariff Rates for Certain Dried Leguminous Vegetables				
HTS #	Description	MFN Tariff	Gen. Tariff	VAT
0713.1090	Peas (Pisum Sativum), other	5%	20%	13%
0713.2090	Chickpeas (garbanzos), other	7%	20%	13%
0713.3190	Beans (Vigna Mungo, Hepper or Vigna Radiata), other	3%	11%	13%
0713.3290	Small red (adzuki) beans (Phaseolus or Vigna Angularis), other	3%	14%	13%
0713.3390	Kidney beans, including white pea beans (Phaseolus Vulgaris), other	7.5%	20%	13%
0713.3900	Beans, all other (Vigna spp. and Phaseolus spp.)	7%	20%	13%
0713.4090	Lentils, other	7%	20%	13%
0713.5090	Broad beans (Vicia Faba var. Major) and horse beans (Vicia Faba var. Equina, Vicia Faba. Minor), other	7%	20%	13%
0713.9090	Other dried leguminous vegetables	7%	20%	13%
<i>Note: Dried leguminous vegetables for seed use have a zero percent tariff, and the 13 percent VAT can be waived circumstances.</i>				

Key Contacts

U.S. companies can contact the Agricultural Affairs Office in Beijing for further information. U.S. companies can also contact USDA's Agricultural Trade Offices in Beijing, Guangzhou, Shanghai, Chengdu, Shenyang, and Hong Kong for information and guidance on promoting and marketing U.S. pulse products.

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Trade Tables

1) China's Average Pulse Export Price (\$/MT)

China's Average Pulse Export Price (\$/MT)								
HTS#	Description	Jan-06	Jan-07	Feb-07	Mar-07	Jan-08	Apr-08	Jun-08
071310	Peas	340	440	550	400	560	660	680
071320	Chickpeas	NA	570	2540	1400	550	NA	NA
071331	Beans, Mung	600	740	760	740	940	1000	920
071332	Beans, Adzuki	510	550	550	570	790	950	1020
071333	Beans, Kidney	450	610	630	600	810	750	770
071339	Beans, Other	460	540	920	640	840	1320	990
071340	Lentils	330	420	400	400	660	780	760
071350	Beans, Broad/Horse	400	400	400	400	580	600	650
071390	Legumes	480	570	500	620	770	680	550
Source: China Customs								

2) China's Average Pulse Import Price (\$/MT)

China's Average Pulse Import Price (\$/MT)								
HTS#	Description	Jan-06	Jan-07	Feb-07	Mar-07	Jan-08	Apr-08	Jun-08
071310	Peas	190	230	230	240	320	350	380
071320	Chickpeas		NA	1780	NA	1660	NA	1210
071331	Beans, Mung	500	450	580	580	420	470	450
071332	Beans, Adzuki	270	NA	1320	NA	NA	NA	760
071333	Beans, Kidney	NA	250	170	240	470	430	330
071339	Beans, Other	NA	NA	1170	7700	NA	7800	6680
071340	Lentils	NA	NA	1050	NA	340	350	340
071350	Beans, Broad/Horse	NA	NA	NA	8680	500	NA	NA
071390	Legumes	1010	1070	1100	1070	870	520	870
Source: China Customs								

3) China Pulse Imports in Metric Tons

China Pulse Imports in Metric Tons							
HTS#	Description	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07	MY07/08
						Oct-Mar	Oct-Mar
	Pulses	74,443	202,081	403,116	299,932	172,345	215,397
071310	Peas	47,129	170,524	365,390	265,622	159,728	153,188
071390	Legumes	14,469	18,290	26,514	25,919	11,227	26,086
071331	Beans, Mung	10,052	12,640	8,773	6,468	298	34,172
071333	Beans, Kidney	100	330	1,135	1,675	1070	1,364
071332	Beans, Adzuki	1,571	272	382	188	0	0
071339	Beans, Other	88	25	723	34	14	25
071320	Chickpeas	999	0	8	25	0	1.3
071340	Lentils	35	0	190	.285	7	558
071350	Beans, Broad/Horse	0	0	0	.256	0	.42
Source: China Customs							

4) China Pulse Imports in \$Millions

China Pulse Imports in \$Millions							
HTS#		MY03/04	MY04/05	MY05/06	MY06/07	MY06/07	MY07/08
						Oct-Mar	Oct-Mar
	Pulses	23.501	58.161	104.949	94.666	47.69	82.86
071310	Peas	10.846	35.239	72.49	63.021	35.726	47.385
071390	Legumes	9.134	18.103	26.974	27.20	11.457	20.09
071331	Beans, Mung	3.053	4.133	3.583	3.669	0.186	14.46
071332	Beans, Adzuki	0.202	0.426	0.539	0.550	0	0.63
071333	Beans, Kidney	0.038	0.226	0.515	0.106	0.277	0.217
071339	Beans, Other	0.04	0.033	0.757	0.105	0.038	0.073
071320	Chickpeas	0.177	0	0.006	0.011	0	0
071340	Lentils	0.011	0	0.085	0	0.004	0
071350	Beans, Broad/Horse	0	0	0	0	0.002	0
Source: China Customs							

5) China's Pulse Imports by Origin in Metric Tons

China's Dry Bean, Dry Pea, and Lentil Import by Origin in Metric Tons							
Rank	Country	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07 Oct-Mar	MY07/08 Oct-Mar
0	--World	74,443	202,081	403,116	299,932	172,345	215,397
1	Canada	45,442	168,595	336,433	251,105	147,228	143,872
2	India	13,190	17,928	24,866	24,401	10,657	14,593
3	United States	344	485	25,700	11,852	11,247	8,645
4	Myanmar	9,351	9,519	8,203	6,534	248	45,736
5	United Kingdom	1,721	841	2,667	1,393	556	341
6	Pakistan	960	180	1,560	1,380	520	680
7	Korea, North	301	67	704	1,265	1,048	1,002
8	Australia	466	535	789	605	442	118
9	Thailand	583	541	1,313	514	113	157
10	New Zealand	379	299	189	499	442	118
	All Others	1,705	3,092	692	385	286	254

Source: China Customs

6) China's Pulse Imports by Origin in \$Millions

China's Dry Bean, Dry Pea, and Lentil Imports by Origin in \$Millions							
Rank	Country	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07 Oct-Mar	MY07/08 Oct-Mar
0	World	23.501	58.161	104.949	94.666	47.690	82.860
1	Canada	9.111	33.427	65.256	58.614	32.663	44.521
2	India	8.359	17.638	25.801	25.634	10.9	15.67
3	Myanmar	2.737	3.146	3.218	3.582	0.144	18.366
4	United States	0.305	0.493	5.355	2.730	2.474	2.409
5	Pakistan	0.594	0.193	1.642	1.449	0.536	0.726
6	United Kingdom	0.804	0.495	1.139	0.642	0.255	0.224
7	Australia	0.654	0.802	0.802	0.632	0.058	0.034
8	Thailand	0.300	0.278	0.571	0.429	0.083	0.156
9	Korea, North	0.068	0.025	0.148	0.300	0.249	0.456
10	Taiwan	0.114	0.249	0.176	0.222	0.126	0.091
	All Others	0.455	1.415	0.841	0.432	0.203	0.207

Source: China Customs

7) China Pulse Exports in Metric Tons

China Pulse Exports in Metric Tons							
HTS#	Description	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07	MY07/08
						Oct-Mar	Oct-Mar
	Pulses	805,806	849,142	833,846	817,186	465,509	556,643
071333	Beans, Kidney	469,418	587,558	584,863	538,473	298,581	405,309
071331	Beans, Mung	157,482	123,383	128,313	144,196	86,389	65,789
071332	Beans, Adzuki	68,266	54,667	52,403	60,823	29,188	36,705
071350	Beans, Broad/Horse	30,531	25,955	25,115	36,957	21,824	26,021
071340	Lentils	33,520	33,637	20,644	15,341	10,753	8,313
071339	Beans, Others	22,344	8,865	11,423	12,768	8,777	6,919
071390	Legumes	17,790	11,288	9,184	4,156	6,311	5,546
071310	Peas	6,391	3,739	1,638	2,572	2,012	1,906
071320	Chickpeas	62	48	263	1,900	1,674	132
Source: China Customs							

8) China Pulse Exports to the World in \$Millions

China Pulse Exports to the World in \$Millions							
HTS#	Description	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07	MY07/08
	World					Oct-Mar	Oct-Mar
	Pulses	321.706	376.002	390.354	480.154	272.537	420.071
071333	Beans, Kidney,	170.274	224.389	256.435	304.963	171.915	304.258
071331	Beans, Mung	68.255	75.013	78.841	102.842	60.275	55.564
071332	Bean, Adzuki	49.722	42.823	26.326	33.81	15.367	28.094
071350	Beans, Broad/Horse	8.955	9.812	9.801	14.917	8.582	14.485
071340	Lentils	8.77	10.124	6.877	6.225	6.448	7.227
071339	Beans, Other	7.03	4.526	5.71	9.054	4.27	5.468
071390	Legumes	7.215	8.208	5.557	5.714	3.514	3.746
071310	Peas	1.47	1.1	0.661	1.447	1.158	1.148
071320	Chickpea	0.015	0.008	0.146	1.183	1.007	0.082
Source: China Customs							

9) China's Pulse Exports by Destination in \$Millions

China's Dry Bean, Dry Pea, and Lentil Exports by Destination in \$Millions							
Rank	Country	MY03/04	MY04/05	MY05/06	MY06/07	MY06/07 Oct-Mar	MY07/08 Oct-Mar
0	World	322.164	381.302	390.497	480.154	272.537	420.071
1	Japan	62.740	68.707	56.750	65.66	34.511	46.043
2	India	12.325	13.067	22.734	42.446	38.336	17.786
3	Cuba	20.295	4.597	35.894	39.307	11.138	11.207
4	South Africa	26.377	13.157	22.154	30.751	13.889	36.650
5	Italy	19.221	18.784	24.555	26.941	18.221	28.428
7	Pakistan	8.399	13.717	19.762	22.02	15.041	15.444
6	United States	7.333	11.687	14.485	21.09	10.499	10.992
8	Korea South	24.171	24.782	15.245	18.938	9.986	17.329
9	Venezuela	14.482	15.719	28.323	14.259	4.827	10.418
10	Turkey	8.220	6.528	10.977	12.926	8.905	43.258
11	All Other	118.601	190.557	139.618	185.816	107.184	182.516
Source: China Customs							